
ADE Response | Call for Evidence on the Electricity Distribution Business Plans for RIIO-2 | 9 February 2022

Context

The ADE welcomes the opportunity to respond to Ofgem's call for evidence on the RIIO-ED2 business plans.

The ADE is the UK's leading decentralised energy advocate, focused on creating a more cost effective, low-carbon and user-led energy system. The ADE has more than 140 members active across a range of technologies, including both the providers and the users of energy equipment and services. Our members have particular expertise in demand side energy services including demand response and storage, combined heat and power, heat networks and energy efficiency.

Overall Evaluation

While it is encouraging to see most of the business plans promoting a flexibility first approach and expanded monitoring of low voltage (LV) networks, the plans are less ambitious regarding flexibility than is required given the stated goals of the Smart Systems Flexibility Plan and Net Zero Strategy.

Following Ofgem's direction, the DNOs are planning significant expansion of assets under Active Network Management under RIIO-ED2. The ADE considers that this is a form of curtailment management which splits the broader flexibility markets emerging at Distribution and at least, in some areas, is likely to under-estimate the value of offering flexibility as constraints increase over time. Ofgem and the networks need to set out a clearer long-term strategy for moving to fully comprehensive, technology-agnostic markets for managing constraints.

IT upgrades are welcome but the long-term place for DSO functions is not yet decided and it may well be that DNOs are not the right home for it. Therefore, IT upgrades need to be separable from the DNOs' IT infrastructure for asset management.

1. Expansion of flexibility markets; including at Low Voltage

UKPN

The ADE supports UKPN's ambitions to expand flexibility markets to Low Voltage as BAU.

WPD

More clarity on the quantum of flexibility to be procured and the conditions for resorting to network reinforcement would be helpful.

The expansion of flexibility markets during RIIO-ED2 is a positive commitment, especially the streamlined dispatch platform. At a broader level however, the varying approaches to dispatch and auctions between the DNOs has been a source of concern for the flexibility sector and adds significant complexity to providers' ability to access markets. This is particularly the case for smaller actors.

ENWL

It is encouraging that ENWL will strive to secure flexibility first at all voltage levels, increase HV and LV monitoring, and is committed to moving to closer to real-time flex procurement.

SSEN

The ADE supports SSEN's clear ambition to significantly expand flexibility markets down to LV and to replace traditional "Load-Managed Areas" with flexibility markets.

Overall, it is welcome to see SSEN's ambition to procure 5GW through flexibility markets, compared to 3.7GW through ANM.

SPEN

It is encouraging that SPEN intends to expand the Engineering Net Zero (ENZ) platform to facilitate LV flexibility service use. Similarly, the automation of LV flexibility tendering and management will increase efficiency. However, unlike the other business plans there is no explicit reference to flexibility first as an alternative to reinforcement.

NPG

It is encouraging that NPG set out a clear commitment to a Flexibility First principle, including plans to invest in low voltage monitoring. Unfortunately, there is still a strong emphasis on network reinforcement.

2. DSO governance and conflicts of interest

UKPN

The ADE strongly supports UKPN's ambitions for its DSO.

We support its commitment to procuring flexibility and energy efficiency where they are most cost-effective and ahead of reinforcement.

In particular, we support its plans to develop a fully legally separate DSO; including separate Control Room, a new code, DSO Supervisory Board and an annual DSO forward plan. We also support the infrastructure it is planning to put in place around this to support transparent information provision and to introduce a third party-managed Distribution Market Platform.

We also support UKPN's intention to continue with the Distribution FES methodology and further systematise its approach to planning infrastructure investment through a Distribution SOF and Distribution NOA.

Whilst their proposals overall are strong, we would note a few areas where the plans could have been stronger. Firstly, the DSO Satisfaction Survey and commitment to improve 10% year on year once a baseline is established is welcome but relatively weak; especially given there is not substantive financial incentives or disincentives as part of this. The ESO's Performance Panel has been a strong force in driving greater accountability and focus from the ESO. A similar body with weight from clear financial incentives could support UKPN's ambitions in this area. Secondly, ANM and flexible connections still represent a very significant part of UKPN's DSO services. As set out above, the ADE does not consider this approach to be a smart, market-driven approach to flexibility and further, splits the market for curtailment management between flexibility tenders and ANM. The ADE would have liked to see UKPN go further towards full, technology-agnostic markets for constraint.

WPD

The separation of DSO and DNO functions is promising, including the commitment to formalise this relationship separation. However, there is no explicit reference to legalising this separation.

It is encouraging to see that Flexibility First is among the seven strategic principles underpinning WPD's DSO approach. The establishment of an Energy Management Centre, enabling the ability to make short term flexibility products available to the DNO Control Room during power cuts, is positive, provided that these markets are easily accessible to flexibility providers.

The ADE supports the provision of highly accessible and visible data to drive DSO functions.

ENWL

The ADE supports ENWL's commitment to further separate the DSO directorate and the rest of the business. However, ambitions for DSO governance do not go as far as other business plans.

Further, while Project CLASS is highlighted as an area of importance and growth ENWL does not address how this incurs possible conflicts of interest. The ADE does not support their position on CLASS, nor does it support the lack of clarity on how this relates to DSO functions.

SSEN

Although expected, it is welcome to see SSEN's commitment to a DSO strategy and action plan. The ADE also welcomes SSEN's onboarding of WPD's Flexible Power platform.

The ADE welcomes SSEN's explicit commitment to not pursue CLASS-like services, unless directed by Ofgem.

Whilst its commitments to transparency and aligning with broader industry standards on DSO governance are welcome, SSEN's commitments on DSO are weaker than other DNOs (notably UKPN). The commitments to an annual flexibility service providers forum and survey feel relatively weak and there are no clear commitments in the Business Plan as to how this feedback will be acted upon.

Overall, the commitments set out to ensure appropriate governance of the DSO functions (incl. a separate Directorate and the Stakeholder Governance Board) feel that they meet, but do not go beyond, expectations set by Ofgem and industry.

SPEN

It is welcome that one of the six main areas of investment for DSO is ensuring the right business structure and people to deliver DSO. However, there is little further detail on this.

NPG

The ADE supports the establishment of a dedicated DSO business unit responsible for DSO transition with clear executive accountability and an annual independent audit of decision-making processes. However, the possibility of further structural separation should be kept open pending the results of annual audits.

3. Anticipatory investment

UKPN

The ADE supports UKPN's explicit commitment to Flexibility First and that this trumps anticipatory investment.

WPD

The ADE supports WPD's commitment to a Flexibility First approach; whilst noting that anticipatory investment has been set out as a stakeholder priority.

The commitment to increasing load related investment in order to cater for a further 1.5 million EVs and 600,000 heat pumps on our network in the five year period is encouraging.

ENWL

The ADE supports WPD's commitment to a Flexibility First approach.

SSEN

The ADE welcomes SSEN's strong emphasis on the option value of flexibility within procurement.

SPEN

Despite recognising that new ways of investment are required, the business plan does not explore flexibility in a detailed way. Furthermore and as above, it is disconcerting that there is no reference to flexibility first.

NPG

The ADE supports WPD's commitment to a Flexibility First approach. The ADE further supports the creation of a digital twin of network for strategic planning by 2025-26.

4. Data management and network monitoring

UKPN

The ADE supports UKPN's ambition for 100% coverage of networks down to LV through mix of real-time data sensors and using smart meter data.

Whilst required of the business plans, it is also positive to see significant focus on implementing the Energy Data Taskforce recommendations.

WPD

Implementation of the EDTF recommendations is positive. The ADE supports the promise of 100% visibility of the power flows on its network at all 1,800 of its primary substations.

ENWL

The ADE supports the implementation of the EDTF recommendations and increased network monitoring.

SSEN

The ADE welcomes SSEN's commitments to implementing the EDTF recommendations and more generally, releasing further information on network constraints and flexibility markets as part of its DSO Action Plan.

SPEN

The ADE supports the ambition to improve LV network monitoring and to roll out real time monitoring to 52% of substations, covering 76% of customers.

NPG

The ADE supports investment in LV monitoring to achieve coverage of 50% of ground-mounted substation networks by 2028. The ADE supports the implementation of the EDTF recommendations.

5. Active Network Management

The general intention to expand ANM across all business plans is worrying. ANM continues to allocate a significant amount of risk to distributed generation, and we continue to advocate for DNOs to move away from ANM in the medium to long term and, in the immediate term, for ANM and flexibility to be valued in similar ways and compete in the same (technology agnostic) markets.

UKPN

As noted above, UKPN continues to support strong expansion of ANM into RIIO-ED2. The ADE does not support this.

WPD

Reducing the cost threshold for connections as a means to significantly expand ANM is not supported by the ADE.

ENWL

The ADE does not support the intention to expand use of ANM.

SSEN

SSEN continues to support strong expansion of ANM into RIIO-ED2. Whilst the shift to third-party provision (for example, through Electron's TRADER platform) is better than direct DNO provision, the ADE does not support expansion of ANM as a whole and still considers that greater ambition is required towards a fully technology-agnostic approach to constraint management.

SPEN

The ADE does not support the intention to expand use of ANM.

NPG

The ADE does not support the intention to expand use of ANM from 433MW to 540MW by 2023.

6. Broader energy planning**UKPN**

The ADE supports UKPN's ambition to collaborate with the 127 Local Authorities in its region and supporting them to develop LAEPs, including through building a self-service energy planning tool.

WPD

WPD's intention to meet the wishes of many of their stakeholders to reach Net Zero prior to 2050 is commendable and therefore taking a "local and bespoke to the requirements of each region" by collaborating with Local Authorities and others is promising. In particular, introducing a Community Energy Engineer in each licence area, connecting a further 150 community energy schemes, and holding hold 60 Community Energy Surgeries a year will be key means of local engagement.

The ADE supports the commitment to undertake a further three RDPs during RIIO-ED2.

ENWL

The ADE appreciates plans to enhance support for LAEPs in ED2 and the integration of energy efficiency approaches for mutual benefit.

SSEN

The ADE supports the focus on Local Authority engagement and further work in areas such as heat decarbonisation; including through its CVPs.

SPEN

It is encouraging that SPEN intends to establish a team of Strategic Optimisers to work alongside local authorities around Local Heat and Energy Efficiency Strategies and Local Area Energy Plans and to work with community energy schemes.

NPG

The ADE supports the building of an increasingly 'outward facing' culture including support for local authorities on LEAP development, hosting forums and working groups and meeting with individual local authorities, local enterprise partnerships and combined authority and the establishment of a team of community-based energy advisors.

7. Energy efficiency**UKPN**

The ADE welcomes UKPN's intention to develop an energy efficiency product from 2023, running tenders every 6 months.

WPD

Continuation of the 'Smart and Fair?' project is welcome and will contribute to an equitable uptake of smart technologies. Using this research to inform the identification of areas where flexibility and energy efficiency measures may be needed is encouraging, especially if it aids in the expansion of flexibility tendering.

ENWL

It is encouraging that ENWL supports the participation of energy efficiency in flexibility markets.

SSEN

The ADE welcomes SSEN's intention to develop an energy efficiency accelerator and to build on its SAVE project. However, this does not go as far as other networks in explicitly committing to an energy efficiency product within the broader flexibility markets.

SPEN

The intention to support energy efficiency as an alternative to network reinforcement is encouraging.

NPG

The ADE does not support plans to roll out voltage optimisation technology similar to Project CLASS.

8. Innovation areas of focus

UKPN

The ADE supports UKPN's approach to innovation. In particular, the ADE supports establishing Power Potential into BAU, finding innovative ways to support the infrastructure needed for EV chargepoints and further building on its Heat Street Project.

The ADE provisionally supports its plans to expand Regional Development Programmes. However, these schemes need to be clearer on how they interact with flexibility tenders and broader markets for flexibility.

WPD

The ADE supports WPD's approach to innovation. Particularly, the ADE supports the development of DSO flexibility products, the expansion to lower voltage networks, the optimisation of techniques across multiple markets, the introduction of distributed ledger and peer to peer trading, and the development of market relationships with Energy Efficiency solutions

Peer to peer trading as a theme of innovation

The ADE supports the commitment to undertake a further three RDPs during RIIO-ED2. As above, these schemes need to be clearer on how they interact with flexibility tenders and broader markets for flexibility.

ENWL

The ADE supports the ongoing development of ENWL's ROCBA tool for the CBA between flexibility, energy efficiency, deferral or network investment and the ongoing development of the Flexr data sharing service.

SSEN

The ADE supports the innovation trials that SSEN has done with organisations such as Electron and its focus on enabling peer-to-peer trading. The ADE also welcomes SSEN's LEO Innovation project, NINES and its work on "Smart and Fair" regarding community energy and its intention to develop innovative approaches to community flexibility markets in RIIO-ED2.

The ADE provisionally supports its plans to expand Regional Development Programmes. However, these schemes need to be clearer on how they interact with flexibility tenders and broader markets for flexibility.

The ADE provisionally supports SSEN's proposed CVP on Market Stimulation through providing awareness-raising and financial incentives for communities to install Low Carbon Technologies and participate in flexibility markets. However, the CVP is quite vaguely worded (especially regarding what the financial incentives will be for) and further detail is needed.

SPEN

The ADE supports the proposal to rollout LV Monitors to 14,100 secondary substations.

NPG

The ADE supports flexibility as a theme in innovation strategy, including promoting awareness/understanding of and access to customer flex. However, considering flexibility only as an innovation area at LV level as opposed to standard, as it is at EHV/HV level is concerning. Ensuring that flexibility is standardised at LV level (in line with the other business plans) during the ED2 period is highly important.

9. Other notes**UKPN**

N/A

WPD

New IT system called DSR to support end to end contracting and dispatch of Flexible Power arrangements is positive.

Efforts to digitalise processes in order to facilitate simpler connection methods for LCTs is a positive step.

ENWL

The ADE does not support ENWL's desire to continue the ED1 treatment of Project CLASS and even incentivise expansion to other DNOs. As per the ADE's previous consult on the project, it undermines the status of DNOs as 'Neutral Market Facilitators', which is crucial to them expanding local flexibility markets effectively and is required by legislation. It risks undermining commercial markets, by allowing DNOs to bill consumers for the construction of CLASS-capable assets and to subsequently bid them into markets cheaply.

SSEN

N/A

SPEN

N/A

NPG

The ADE does not support the intention to introduce CLASS as an ancillary service to the ESO.

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